



From the Desk
of the
Chief Economist

BANK ISLAM

WEEKLY MARKET UPDATES

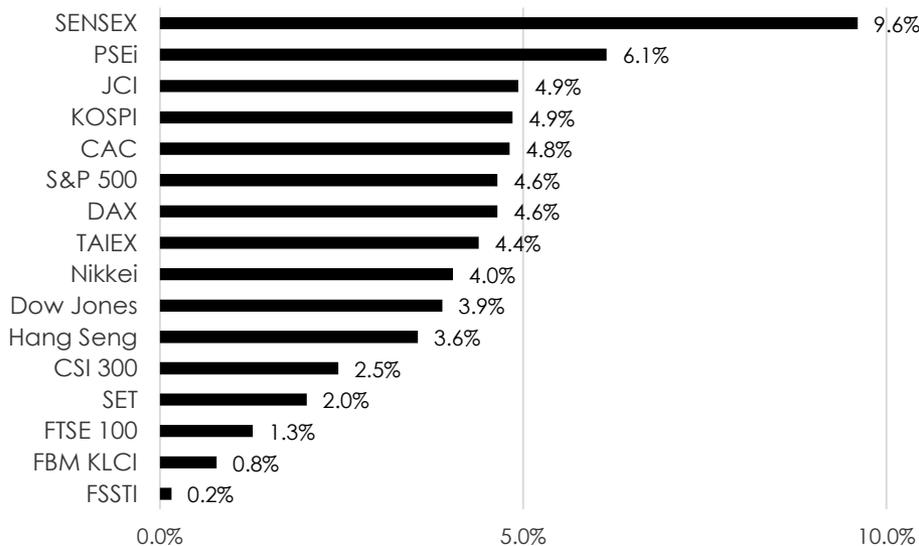
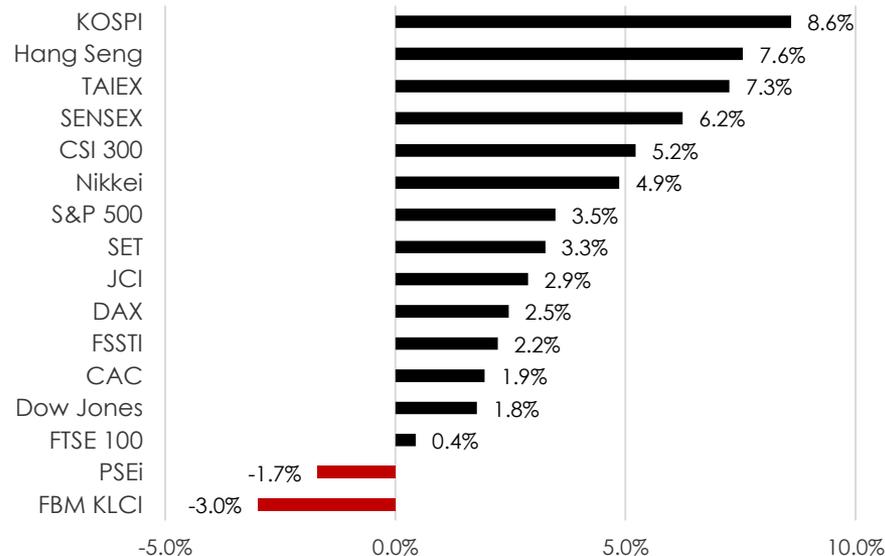
8 FEBRUARY 2021

ECONOMIC RESEARCH

**DR. MOHD AFZANIZAM ABDUL RASHID
ADAM MOHAMED RAHIM
SHAFIZ BIN JAMALUDDIN
NOR JANNAH ABDULLAH**

WEEKLY MARKET PERFORMANCE

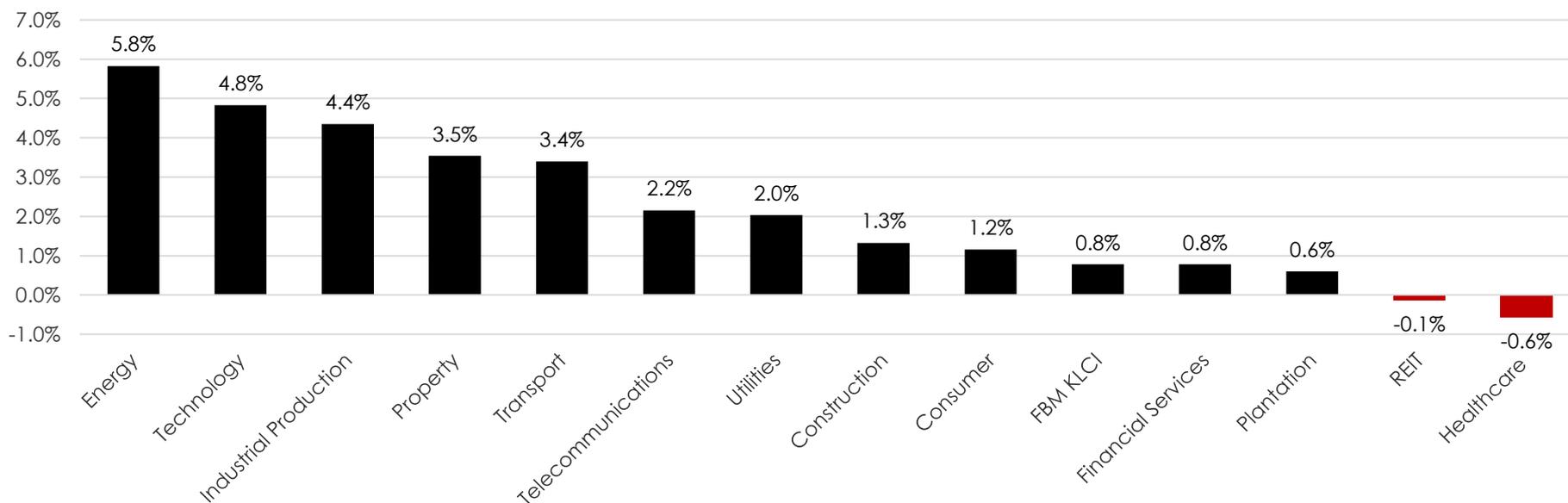
- ✓ Major equity markets worldwide ended the week on a positive note with gainers led by India's SENSEX index which recorded a 9.6% advance. The rise in the benchmark index was primarily fuelled by India's Union Budget 2021 which brought immense optimism and positive economic reforms that aimed at economic growth.
- ✓ Meanwhile, Singapore's Straits Time Index was the smallest gainer during the week, only recording a 0.2% advance. Investor optimism on Singapore's stock market took a hit from the announcement of a 3.6% year-on-year (y-o-y) decline in Singapore's retail sales for December 2020 as many industries remained affected by low visitor arrivals.
- ✓ On the domestic front, the FBM KLCI index was the second lowest gainer during the week and is the biggest decliner on a year-to-date (YTD) basis with a 3.0% drop.

Weekly Gain/Loss of Major Equity Markets (%)
(Week Ended 5 February)YTD Gain/Loss Of Major Equity Markets (%)
(As at 5 February)

WEEKLY SECTORAL PERFORMANCE

- ✓ The Bursa Malaysia Energy index was the biggest gainer last week with a 5.8% weekly advance. The positivity in the sector was driven by the Brent crude oil price which rose 0.8% on Friday, after hitting their highest in a year and closing at USD59.34 per barrel, supported by economic revival hopes and supply curbs by the Organization of the Petroleum Exporting Countries (OPEC) and its allies. Oil was also supported as the US stock markets hit record highs on signs of progress toward more economic stimulus, while a US jobs report confirmed the labour market was stabilizing.
- ✓ On the other hand, the Bursa Malaysia Healthcare Index was the largest decliner with a 0.6% weekly drop. The drop came from the social media-driven retail frenzy on rubber glove stocks which subsided as retail investors could no longer sustain the buying momentum of the respective stocks. Updates on the national Covid-19 vaccination programme also stoked fears of lesser demand for rubber gloves in the future.

Bursa Malaysia Sectoral Weekly Performance (%)

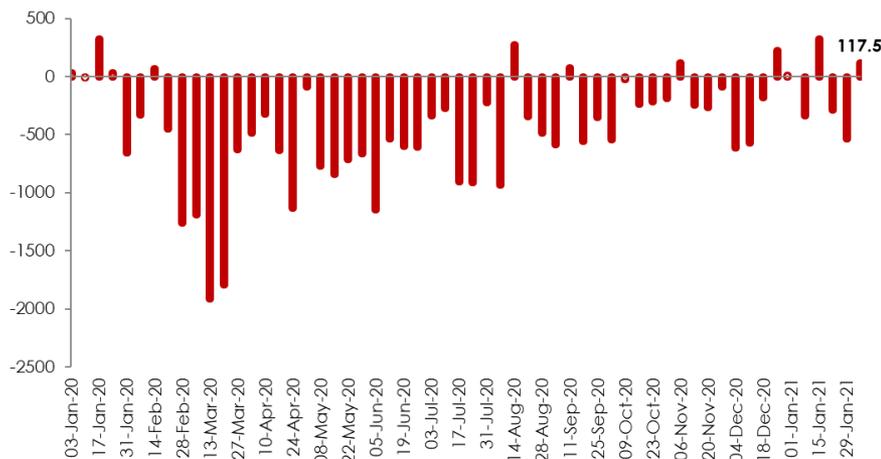


Sources: Bursa

WEEKLY FOREIGN FUND FLOW

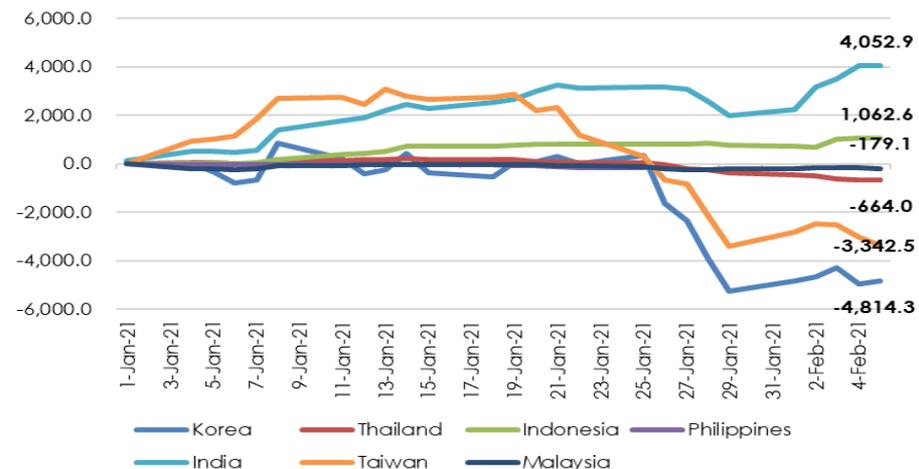
- ✓ Foreign investors acquired RM117.5 million net of local equities during the first week of February 2021 compared to the RM535.5 million sold in the preceding week. This is the second weekly foreign net inflow seen on Bursa so far this year.
- ✓ It was a great start to the week for Bursa as international investors piled into local equities to a tune of RM179.7 million net on Tuesday. Foreign investors later slowly took out RM4.9 million net of local equities on Wednesday as shares of Malaysian glove makers, touted as short squeeze candidates by some on Bursabets, dropped as the Reddit-fuelled frenzy cools off globally. The momentum of foreign net selling gained pace to reach RM18.5 million on Thursday before increasing further to RM38.8 million on Friday.
- ✓ On a year-to-date basis, international investors have sold RM717.1 million net (or USD179.1 million net) of local equities from Bursa. In comparison with Southeast Asian peers namely Thailand, Indonesia and the Philippines, Malaysia has the smallest year-to-date foreign net inflow while Thailand has the largest year-to-date foreign net outflow of USD664.0 million.

Weekly Foreign Fund Flow in Malaysia (RM Million)



Sources: Bursa and Bloomberg

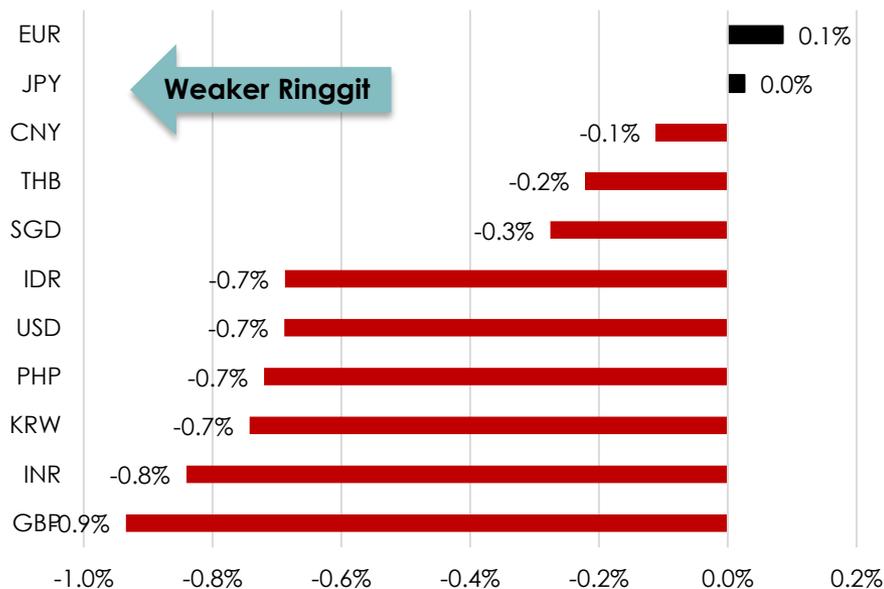
YTD Regional Foreign Fund Flow (USD Million)



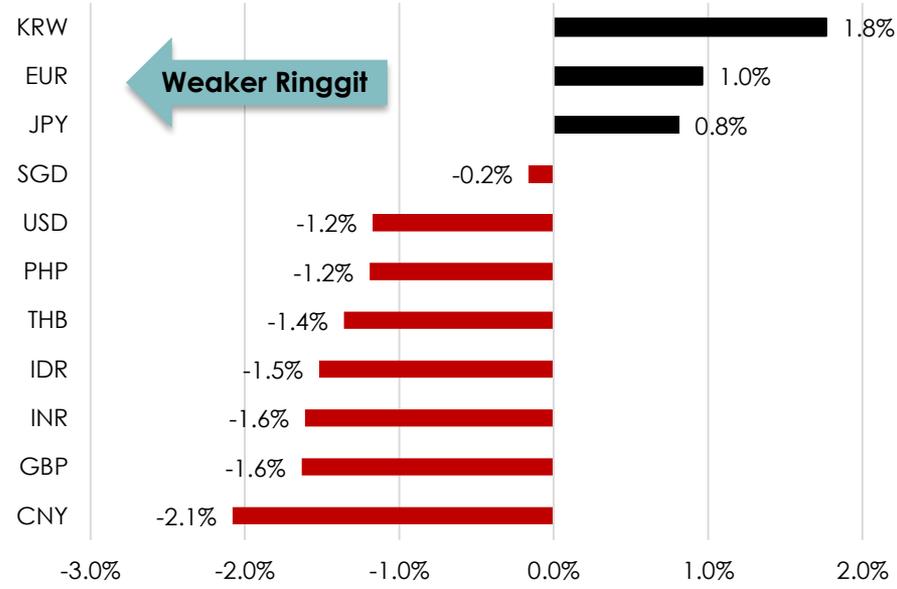
WEEKLY PERFORMANCE

- ✓ The Ringgit weakened by 0.7% to RM4.068 against US Dollar on last Friday from RM4.040 on 5 February due to the lack of positive catalysts. The weakening of the Ringgit against the US Dollar came ahead of amid higher demand for the greenback on the expectation of positive US non-farm payroll (NFP) data.
- ✓ Actual NFP data saw 49k jobs added in January, slightly below the expectation of 50k but unemployment rate dropped to 6.3%, down from 6.7%.
- ✓ Looking ahead, the Ringgit is likely to trade lower against the US dollar this week at between RM4.06 and RM4.08 on expectations of higher US bond yields that would stymie ringgit-related bond flows owing to the commendable US economic data.
- ✓ However, higher oil prices would continue to be a positive offsetting factor and would mitigate losses in the Ringgit relative to regional peers.

**W-o-w, %
(Week Ended 5 February)**

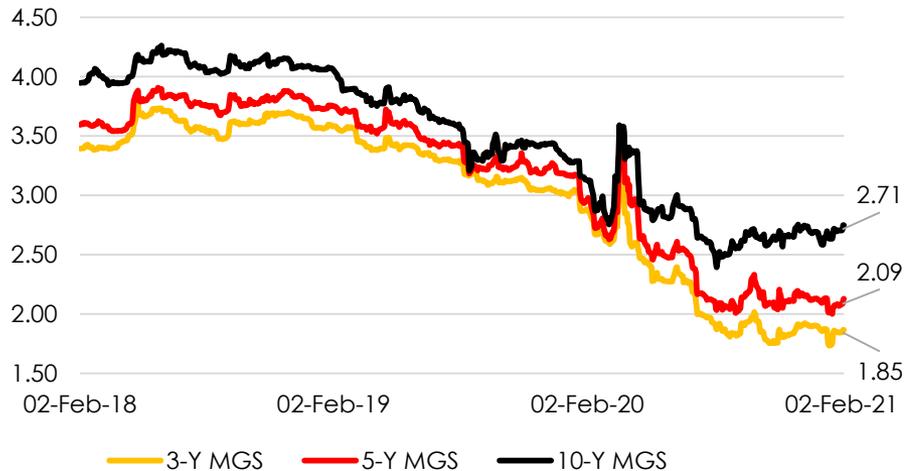


**YTD Gain, %
(As at 5 February)**



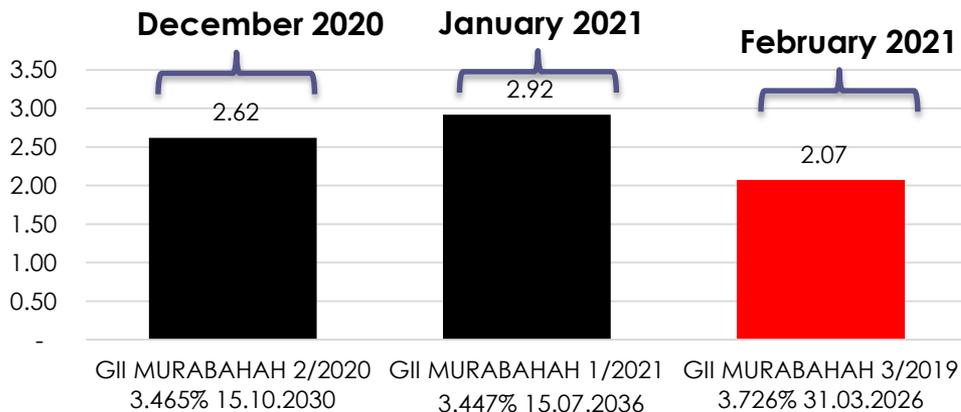
Source: Investing.com

MGS Yields (%)



Source: CEIC

GII



Source: Bond Info Hub

- ✓ On the local bond market, the 3-Y, 5-Y MGS and 10-Y MGS yielded higher to close at 1.87% (29 January: 1.84%), 2.13% (29 January: 2.07%) and 2.75% (29 January: 2.71%) on 5 February amid expectation of a slightly deeper contraction of 4Q2020 GDP which will be announced on 11 February 2021.
- ✓ Meanwhile, the fourth auction exercise for the year saw the 5-Y GII gained strong demand with Bid-To-Cover (BTC) ratio of 2.07x.
- ✓ All in all, we believe the third extension of MCO 2.0 until 18 February would keep the MYR government bond yields remain low as investors seek for safe haven assets.

BRENT

- ✓ Brent crude oil price recorded a 6.2% weekly increase to settle at USD59.34 per barrel last Friday (29 January 2021: USD55.88/barrel). This was the highest figure reported since January last year buoyed by major oil producers' commitment to cut crude output in response to weaker fuel demand conditions in light of Covid-19 pandemic.
- ✓ Apart from that, vaccination rollout has also created a bright spot for the oil market, feeding hopes of demand growth.
- ✓ Supporting prices further were a drop in the US crude inventories reported by the US Energy Information Administration (EIA) and the American Petroleum Institute (API). The EIA data showed crude stocks continued to fall for the second straight week to 475.7 million barrels in the week ended 29 January from 476.7 million barrels previously. Similarly, the API report showed crude stockpiles declined by 4.3 million barrels in the week ended 2 February from 5.3 million draw in the preceding week.

Brent Crude in USD per barrel



Source: Bloomberg

US Crude Oil Inventory, '000 barrel - EIA



COVID-19 UPDATE: DAILY NUMBER OF CONFIRMED CASES

Date	Global	China	Germany	India	Indonesia	Italy	Japan	Singapore	South Korea	Spain	Thailand	United Kingdom	United States	France	Malaysia
7-Jan-21	775,047	90	26,391	20,346	8,854	20,326	6,076	31	869	29,434	305	62,322	227,369	25,189	3,027
8-Jan-21	817,402	89	31,849	18,139	9,321	18,416	6,906	33	674	13,986	205	52,618	299,562	21,510	2,643
9-Jan-21	827,295	81	24,694	-	10,617	17,529	7,855	23	641	25,618	-	68,053	277,195	19,408	2,451
10-Jan-21	833,406	131	16,946	36,867	10,046	19,976	7,621	29	657	31,500	457	59,937	313,516	20,034	2,433
11-Jan-21	694,597	134	12,497	16,311	9,640	18,625	5,977	42	451	18,564	249	54,940	248,089	15,809	2,232
12-Jan-21	589,412	102	12,802	12,584	8,692	12,530	5,460	22	537	13,443	287	46,169	220,528	3,155	3,309
13-Jan-21	624,312	179	19,600	15,968	10,047	14,242	5,103	17	561	31,235	157	45,533	198,788	19,603	2,985
14-Jan-21	732,325	184	25,164	16,946	11,278	15,773	5,308	38	524	36,154	271	47,525	217,166	23,649	3,337
15-Jan-21	734,769	173	22,368	15,590	11,557	17,243	6,591	45	512	37,995	188	48,682	225,573	20,872	3,211
16-Jan-21	738,301	169	18,678	15,158	12,818	16,144	6,696	30	580	37,301	230	55,761	226,608	20,984	4,029
17-Jan-21	741,110	166	13,882	15,144	14,224	16,310	6,386	24	520	42,029	374	41,342	246,485	21,207	3,339
18-Jan-21	621,611	169	7,141	13,788	11,287	12,544	5,998	30	389	24,336	369	38,598	212,253	16,642	3,306
19-Jan-21	524,418	232	11,369	10,064	9,086	8,825	6,034	14	386	18,249	171	37,535	185,383	3,052	3,631
20-Jan-21	529,743	165	15,974	13,823	10,365	10,496	5,446	30	404	34,619	59	33,355	142,240	23,347	4,008
21-Jan-21	637,532	223	20,398	15,223	12,568	13,568	5,447	40	401	41,232	142	38,905	152,937	26,565	3,170
22-Jan-21	666,786	175	17,862	14,545	11,703	14,055	5,799	38	345	40,980	309	37,892	187,919	22,551	3,631
23-Jan-21	653,907	178	16,417	14,256	13,632	13,633	5,054	15	431	39,629	198	40,261	188,176	22,609	4,275
24-Jan-21	633,493	164	12,257	14,849	12,191	13,331	4,587	10	392	41,230	198	33,552	190,994	23,522	3,346
25-Jan-21	546,289	205	6,729	13,203	11,788	11,628	4,152	48	437	23,318	187	30,004	170,883	18,435	3,048
26-Jan-21	425,276	155	6,412	9,102	9,994	8,559	3,330	44	349	16,838	959	22,195	141,691	4,012	3,585
27-Jan-21	487,745	140	13,202	12,689	13,094	10,584	3,537	14	559	31,515	819	20,088	133,409	22,086	3,680
28-Jan-21	587,241	117	17,549	11,666	11,948	15,191	3,927	25	497	36,370	756	25,308	148,533	26,406	4,094
29-Jan-21	601,592	93	14,022	18,855	13,695	14,360	3,909	34	469	34,570	802	28,680	155,203	23,347	5,725
30-Jan-21	577,847	106	12,321	13,083	13,802	13,563	3,567	24	456	32,003	930	29,079	158,153	22,670	5,728
31-Jan-21	564,873	130	11,192	13,052	14,518	12,713	3,659	58	354	30,669	829	23,275	164,415	24,136	5,298
1-Feb-21	472,099	97	5,608	11,427	12,001	11,249	2,776	29	305	17,399	836	21,088	141,327	19,235	4,214
2-Feb-21	369,420	65	6,114	8,635	10,994	7,925	2,108	29	336	11,024	836	18,607	112,129	3,669	3,455
3-Feb-21	421,928	53	9,705	11,039	10,379	9,651	2,210	19	467	20,626	795	16,840	125,444	22,871	4,284
4-Feb-21	480,652	51	14,211	12,899	11,984	13,182	2,593	18	451	21,755	809	19,202	116,762	25,904	4,571
5-Feb-21	476,185	44	12,908	12,408	11,434	13,656	2,619	22	370	11,388	586	20,634	120,876	23,148	3,391
6-Feb-21	460,906	54	10,485	11,713	11,749	14,213	2,307	25	393	-	490	19,114	124,866	20,741	3,847
7-Feb-21	437,862	31	8,616	12,059	12,156	13,439	2,080	26	372	-	237	18,262	129,961	20,586	3,731

Source: CEIC

- ✓ The FBM KLCI index is expected to trade within a tight range of 1,565 to 1,585 points this week ahead of the release of 4Q2020 GDP data on Thursday. Other regional peers such as Indonesia have announced their 4Q2020 GDP which shrank 2.2% y-o-y compared to a consensus of a 2.0% y-o-y decline. As such, this could lead to some investors being cautious until Malaysia's 4Q2020 GDP data is released.
- ✓ In relation to the trend of Covid-19 cases, the recent daily number of cases have inched down to a range of 3,500 to 3,900 cases a day from the record high of 5,728 cases on 30 January 2021. Perhaps this indicates that the MCO 2.0 is starting to gradually bring down the infection rates in Malaysia whereby the estimated R-naught for the nation has gone down below 1.00 to 0.92 as at 7 February 2021.
- ✓ On the external front, the situation may be quite different in the US compared to Malaysia as US stocks head into the week a tailwind as investors focus on a hefty fiscal stimulus package. Moreover, stocks surged in the past week, with the S&P 500 jumping 4.6% to a new record high, in its best week since November 2020. The yield on 10-Y US Treasury bonds which was higher by 10 basis points at 1.19% on Friday last week is also expected to see an uptrend this week, reflecting the economic bounce that could come from the USD1.9 trillion stimulus package.
- ✓ All in all, we foresee the local equity and bond markets to trade thinly during the holiday-shortened week. Foreign net selling may continue on Bursa due to the sluggish sentiment amid the extended MCO 2.0 with stricter standard operating procedures (SOP). Factors that could cushion the local bourse and MGS yields from a drop are gains on Wall Street that may spill over to Malaysian shores and lower Covid-19 infection rates.

Produced and issued by BANK ISLAM MALAYSIA BERHAD (Bank Islam) for private circulation only or for distribution under circumstances permitted by applicable laws. All information, opinions and estimates contained herein have been compiled or arrived at based on sources and assumptions believed to be reliable and in good faith at the time of issue of this document. This document is for information purposes only and has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. No representation or warranty, expressed or implied is made as to its adequacy, accuracy, completeness or correctness. All opinions and the content of this document are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of Bank Islam as a result of using different assumptions and criteria. No part of this document may be used, reproduced, distributed or published in any form or for any purpose without Bank Islam's prior written permission.

An aerial photograph of a city skyline at sunset, with a prominent pink bar at the bottom. The sky is filled with soft, golden light and scattered clouds. The city features numerous high-rise buildings, with a particularly tall, slender skyscraper on the left. A highway with traffic is visible in the foreground, curving through the city. The overall mood is warm and serene.

BANK ISLAM

Assuring Trust. Delivering Value.

Thank You